



DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, D.C. 20224

TAX EXEMPT AND
GOVERNMENT ENTITIES
DIVISION

Release Number: **200733030**

Release Date: 8/17/07

Date: May 22, 2007

513.00-00

Contact Person:

Identification Number:

Telephone Number:

Employer Identification Number:

Dear :

This is in response to your request for a ruling (as amended) as to whether certain uses of your Facility will be classified as unrelated trade or business within the meaning of section 513 of the Internal Revenue Code. The Tax Exempt Bonds Division is considering whether certain uses of the Facility will be private business use under section 141(b) and will reply to you by separate letter.

Facts:

You are recognized as a charitable organization described in section 501(c)(3) of the Code and classified as a private foundation under section 509(a). Your principal mission is to conduct health policy research and to provide the public with reliable information about health issues. You also help other unrelated section 501(c)(3) organizations improve their public education and communications abilities on matters of public importance.

You recently constructed a new office building (Facility) located in B and financed a portion of it with tax exempt bonds. The remaining costs, you paid directly from your own funds. You are the sole owner of this Facility. In addition to office space for your own program staff, the building contains a conference center with connected catering facilities (collectively the "Conference Center"), and a broadcast studio (the "Studio").

To further your mission, you state that you have entered into several cooperative arrangements with national section 501(c)(3) and non-501(c)(3) organizations for the delivery of educational information about health issues. These arrangements are primarily for public outreach activities such as press briefings, television broadcasts, and symposiums, held or produced in the Conference Center and Studio. All of these activities will be developed and implemented as part of your own educational programs. You will publicly acknowledge your partners' participation in these events and programs but will not give them any rights to control the

content or to dictate the use of any portion of the Facility. Partner organizations may contribute financially to cover the cost of these events or programs.

As part of your public educational mission and consistent with your own program needs, you also propose to allow other unrelated section 501(c)(3) organizations, principally ones that share your public health purposes, to use the Conference Center and Studio to improve their public education and communications abilities on matters of public importance. You indicate that this conforms to your long-standing practice of working with other nonprofit organizations to educate the public on matters of broad general concern. You do not plan to charge fees for using these facilities, though you will accept contributions to offset your costs. The use of the facility by any organization will not be conditioned on receiving any amount of contribution.

Based on these facts, you requested the following rulings:

1. Your public outreach events conducted in cooperation with exempt and non-exempt sponsoring organizations will not be an unrelated trade or business within the meaning of section 513 of the Code.
2. Your allowing unrelated section 501(c)(3) organizations to use your Facility without charge to improve their public education and communications abilities on matters of public importance will not be an unrelated trade or business within the meaning of section 513 of the Code.

Law:

Section 501(c)(3) of the Internal Revenue Code describes organizations that are organized and operated exclusively for charitable, educational or similar purposes.

Section 1.501(c)(3)-1(d)(2) of the Income Tax Regulations provides that the term "charitable" is used in its generally accepted legal sense.

Section 1.501(c)(3)-1(d)(3)(i) of the regulations defines the term educational as including the instruction of the public on subjects useful to the individual and beneficial to the community. Education of the public may be carried on outside the classroom. It may go beyond publication. The regulations state that educational programs within the meaning of the statute may be conducted by means of correspondence or by broadcasting. Examples given in the regulations include public discussions, forums, panels, lectures, and similar programs.

Section 511(a) of the Code provides that organizations described in section 501(c)(3) are subject to unrelated business income tax on their unrelated business taxable income.

Section 513 of the Code defines an "unrelated trade or business" as any trade or business the conduct of which is not substantially related (aside from the need for funds) to the exercise or performance by such organization of its charitable, educational, or other exempt purposes.

Section 1.513-1(b) of the regulations provides that for purposes of section 513 of the Code, the term "trade or business" has the same meaning it has in section 162, and generally includes any activity carried on for the production of income from the sale of goods or performance of services.

Section 1.513-1(d)(2) of the regulations provides that a trade or business is substantially related to exempt purposes only if the business activities have a substantial causal relationship to the achievement of exempt purposes. This means that the activities must contribute importantly to the accomplishment of exempt purposes.

Organizations have been held to be educating the public where they devote most of their effort to research and the development of a new body of knowledge and making that information available to the public. For instance, in Rev. Rul. 65-60, 1965-1 C.B. 231, an organization doing research in the social sciences was held to be educational where it disseminated the results of its research through seminars and lectures, and by placing material in libraries.

An organization whose purpose was carrying on medical research and demonstrating the results of that work through seminars was determined to be educational in Rev. Rul. 65-298, 1965-2 C.B. 163.

An organization that held meetings to discuss, identify, and cooperate in developing regional plans and policies for such problems as water and air pollution and waste disposal was determined to be educational as long as it didn't advocate any legislative action to implement its findings in Rev. Rul. 70-79, 1970-1 C.B. 127.

Rationale:

Your principal mission, as indicated above, is to conduct health policy research and to provide the public with reliable information about health issues in a manner similar to the organizations described in Rev. Ruls. 65-60, 65-298 and 70-79. To further your charitable and educational purposes, you engage in public outreach such as press briefings, television broadcasts and symposiums and have entered into cooperative arrangements with sponsoring organizations that contribute toward the cost of producing these programs. You select, design, and control these events to further your mission of educating the public about important health issues. Cooperating with sponsoring organizations in the manner you describe contributes importantly to the accomplishment of your exempt purposes.

Because we have determined that your public outreach activities are related to your exempt purposes, we further conclude that these activities do not constitute unrelated trade or business within the meaning of section 513 of the Code.

You have also explained that you will allow unrelated exempt organizations to use your Facility without charge, including the Conference Center and Studio, to improve their public education and communications abilities on matters of public importance. Allowing the free use of your

Facility in the manner described is itself a charitable activity within the meaning of section 1.501(c)(3)-1(d)(2) of the regulations and contributes importantly to your accomplishment of exempt purposes. In addition, since you do not charge fees, this activity is not a "trade or business" within the meaning of section 513 of the Code.

Rulings:

Based on the facts herein, we rule that:

1. Your public outreach events conducted in cooperation with exempt and non-exempt sponsoring organizations are not an unrelated trade or business within the meaning of section 513 of the Code because they contribute importantly to the accomplishment of your exempt purposes.
2. Your allowing unrelated section 501(c)(3) organizations to use your Facility without charge to improve their public education and communications abilities on matters of public importance is not be an unrelated trade or business within the meaning of section 513 of the Code because it contributes importantly to the accomplishment of your exempt purposes.

This ruling will be made available for public inspection under section 6110 of the Code after certain deletions of identifying information are made. For details, see enclosed Notice 437, *Notice of Intention to Disclose*. A copy of this ruling with deletions that we intend to make available for public inspection is attached to Notice 437. If you disagree with our proposed deletions, you should follow the instructions in Notice 437.

This ruling is directed only to the organization that requested it. Section 6110(k)(3) of the Code provides that it may not be used or cited by others as precedent.

If you have any questions about this ruling, please contact the person whose name and telephone number are shown in the heading of this letter.

Sincerely,

Steven Grodnitzky
Manager, Exempt Organizations
Technical Group 1

Enclosure
Notice 437